



# Revenue Interim Committee

July

**2021**

The work plan provides an outline of what RIC will work on throughout the interim and how much time will be allocated to each subject. It should provide guidance to the committee, staff, and the public over the next 15 months and serve as a blueprint for the interim.

*2021-2022  
Draft Interim  
Work Plan*

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## Introduction

This is the draft work plan for the Revenue Interim Committee (RIC) for the 2021-2022 interim. The draft work plan includes a description of potential committee activities and options for prioritizing those activities. A separate work plan decision matrix allows for side-by-side examination of options. Legislative Council guidelines require the committee to adopt a work plan by the second regular meeting of the interim.

## Committee Procedures and Public Participation

The RIC will operate under the Rules, Procedures, and Guidelines for Interim Committees adopted by the Legislative Council. As required by law, 10-day advance public notice will be given for all meetings and the public will be given an opportunity to comment on any matter that is within the jurisdiction of the committee. The Presiding Officer may establish time limits for public comments, if necessary. Interested persons may be added to the mailing list by visiting the RIC website. Agendas, memos, links, and other information can be found on the RIC website: <https://leg.mt.gov/committees/interim/ric>.

## Members and Staff

Committee Members	Phone	Email
Representative Becky Beard	406-479-3048	becky4hd80@blackfoot.net
Representative Alice Buckley	406-404-0891	aliceformontana@gmail.com
Representative Connie Keogh	406-298-0985	Connie.Keogh@mtleg.gov
Representative Mark Thane	406-552-3957	thanehd99@gmail.com
Representative Jeremy Trebas	406-899-5445	trebasformthouse@gmail.com
Representative Tom Welch	406-660-2988	Tom.Welch@mtleg.gov
Senator Jill Cohenour	406-227-1144	Jill.Cohenour@mtleg.gov
Senator Greg Hertz	406-253-9505	Greg.Hertz@mtleg.gov
Senator Brian Hoven	406-761-8533	Brian.Hoven@mtleg.gov
Senator Mike Lang	406-654-7357	Mike.Lang@mtleg.gov
Senator Edie McClafferty	406-490-5873	Edie.McClafferty@mtleg.gov
Senator Shannon O'Brien	406-274-3805	Shannon.O'Brien@mtleg.gov
Staff	Phone	Email
Megan Moore, Lead Staff	406-444-4496	memoore@mt.gov
Jaret Coles, Staff Attorney	406-444-4022	jcoles@mt.gov
Laura Sherley, Secretary	406-444-9541	lsherley@mt.gov

## How the RIC Plans its Work

During the legislative interim, the RIC typically focuses on assigned study topics, oversight of programs and rulemaking activities of the Department of Revenue and the Montana Tax Appeal Board, and revenue estimating and monitoring. The committee may also address issues of interest to committee members within the committee's assigned areas of taxation and revenue estimating and monitoring.

The Legislative Council assigned the committee two studies in the form of joint study resolutions ranked by legislators: [House Joint Resolution No. 36](#), a study of residential property taxes, and [House Joint Resolution No. 6](#), a study of the coal severance tax trust fund. The studies ranked first and fifth, respectively, among the polled studies.

The RIC establishes its work plan at the beginning of the interim. The primary constraint limiting the work plan for the interim is the number of issues that can be effectively addressed within the available time and resources of the committee members and its staff.

This 2021-2022 Draft Interim Work Plan is a decision-making tool to help committee members work together efficiently to set priorities and decide how and where to spend the RIC's limited time and resources. The work plan sets out a strategy for fulfilling the RIC's responsibilities throughout the 2021-2022 interim. Once the RIC collectively makes a decision on the work plan, it will become a blueprint for the interim. Staff will develop detailed work plans and timetables for each major study. The Draft RIC Work Plan Decision Matrix, a separate document, is a way to look at topic options side by side and allocate staff time according to member priorities. The matrix includes estimates for total staff time available to the RIC, but keep in mind that many topics also require meeting time for updates, panel presentations, and committee discussion.

## RIC Statutory Duties and Obligations

### Overview

The RIC draws its statutory responsibilities from a number of sources identified below. As applied to the RIC, statutes require the committee to:

1. **Conduct interim studies** as assigned. The committee may recommend to the Legislative Council that a study be assigned to another committee or not be conducted.
2. **Review administrative rules** of the Department of Revenue (DOR) and the Montana Tax Appeal Board (MTAB).
3. **Review the statutorily established advisory councils and required reports** of assigned agencies to make recommendations to the next legislature on retention or elimination of any advisory council or required reports (*required only if requested by a member of the interim committee*)
4. **Review legislation** proposed by DOR and MTAB. Bills requested by an individual member of the Legislature are not subject to this requirement.
5. **Review proposed ballot initiatives** within the interim committee's subject area and vote to either support or not support the placement of the text of an initiative on the ballot.
6. **Complete additional statutory duties** including:
  - a. preparing a **revenue estimate** by December 1 for introduction during each regular session of the Legislature in which a revenue bill is under consideration;
  - b. reviewing income tax credits as provided in [15-30-2303](#); and
  - c. reviewing reports required to be submitted to the committee.
7. **Monitor the operation of DOR and MTAB** with specific attention to the following:
  - a. identification of issues likely to require future legislative attention;
  - b. opportunities to improve existing law through the analysis of problems; and
  - c. the experiences of Montana's citizens with the agency and whether these experiences may be amenable to improvement through legislative action.
8. **(Committee driven):** Prepare bills and resolutions that, in the committee's opinion, the welfare of the state may require for presentation to the next regular session.
9. **(Committee driven):** Compile, analyze, and furnish information bearing upon the committee's assignment and relevant to existing or prospective legislation that the committee determines to be pertinent to the adequate completion of its work.

### General Duties of All Interim Committees/Revenue Interim Committee Statute

Section 5-5-215 outlines general duties of all interim committees.<sup>1</sup>

**"5-5-215. Duties of interim committees.** (1) Each interim committee shall:

- (a) review administrative rules within its jurisdiction;
- (b) subject to 5-5-217(3), conduct interim studies as assigned;
- (c) monitor the operation of assigned executive branch agencies with specific attention to the following:
  - (i) identification of issues likely to require future legislative attention;
  - (ii) opportunities to improve existing law through the analysis of problems experienced with the application of the law by an agency; and
  - (iii) experiences of the state's citizens with the operation of an agency that may be amenable to improvement through legislative action;

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<sup>1</sup> Amendments to 5-5-215, MCA, have not yet been codified. This is a mock-up of how the section will appear after codification.

(d) review, if requested by any member of the interim committee, the statutorily established advisory councils and required reports of assigned agencies to make recommendations to the next legislature on retention or elimination of any advisory council or required reports pursuant to 5-11-210;

(e) review proposed legislation of assigned agencies or entities as provided in the joint legislative rules;

(f) accumulate, compile, analyze, and furnish information bearing upon its assignment and relevant to existing or prospective legislation as it determines, on its own initiative, to be pertinent to the adequate completion of its work; and

(g) review proposed ballot initiatives within the interim committee's subject area and vote to either support or not support the placement of the text of an initiative on the ballot in accordance with 13-27-202.

(2) Each interim committee shall prepare bills and resolutions that, in its opinion, the welfare of the state may require for presentation to the next regular session of the legislature.

(3) The legislative services division shall keep accurate records of the activities and proceedings of each interim committee."

Section 5-5-227 provides specifically for the Revenue Interim Committee's powers and duties.<sup>2</sup>

**" 5-5-227. Revenue interim committee — powers and duties — revenue estimating and use of**

**estimates.** (1) The revenue interim committee has administrative rule review, draft legislation review, program evaluation, and monitoring functions for the Montana tax appeal board established in 2-15-1015 and for the department of revenue and the entities attached to the department for administrative purposes, except the divisions of the department that administer the Montana Alcoholic Beverage Code and the Montana Marijuana Regulation and Taxation Act.

(2) (a) The committee must have prepared by December 1 for introduction during each regular session of the legislature in which a revenue bill is under consideration an estimate of the amount of revenue projected to be available for legislative appropriation.

(b) The committee may prepare for introduction during a special session of the legislature in which a revenue bill or an appropriation bill is under consideration an estimate of the amount of projected revenue. The revenue estimate is considered a subject specified in the call of a special session under 5-3-101.

(3) The committee's estimate, as introduced in the legislature, constitutes the legislature's current revenue estimate until amended or until final adoption of the estimate by both houses. It is intended that the legislature's estimates and the assumptions underlying the estimates will be used by all agencies with responsibilities for estimating revenue or costs, including the preparation of fiscal notes.

(4) The legislative services division shall provide staff assistance to the committee. The committee may request the assistance of the staffs of the office of the legislative fiscal analyst, the legislative auditor, the department of revenue, and any other agency that has information regarding any of the tax or revenue bases of the state.

(5) The committee shall review tax credits as provided in 15-30-2303."

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<sup>2</sup> Amendments to 5-5-227, MCA, have not yet been codified. This is a mock-up of how the section will appear after codification.

## Administrative Rule Review

The committee has administrative rule review responsibility for the Department of Revenue (except for rules affecting liquor control) and the Montana Tax Appeal Board.

The staff attorney will review administrative rules throughout the interim and provide the committee information about proposed and adopted rules, identifying any areas of concern.

## Review Proposed Ballot Initiatives

[House Bill 651](#) amended 5-5-215 to require interim committees to review proposed ballot initiatives within the interim committee's subject area and vote to either support or not support the placement of the text of an initiative on the ballot.

The bill also amends 13-27-202(5) to provide for the interim committee hearing and voting process and for notification of the outcome of the vote to the secretary of state:

"(c) The appropriate interim committee or legislative council shall meet and hold a public hearing after receiving the information and vote to either support or not support the placement of the proposed initiative text on the ballot. The outcome of the vote must be submitted to the secretary of state no later than 14 days after receipt of the final text of the proposed issue and ballot statements. Nothing in this section prevents the interim committee from meeting remotely or via conference call. Proxies must be allowed for legislators unable to participate if a quorum of the committee or council meets to fulfill the requirements of this section.

(d) The executive director shall provide written correspondence to the secretary of state providing the name of the interim committee or the administrative committee that voted on the proposal, the date of the vote, and the outcome of the vote conducted in accordance with subsection (5)(c)."

This requirement may result in additional committee meetings because the committee vote must be provided no later than 14 days after receipt of the final text of the ballot initiative.

## Revenue Estimating and Monitoring

The RIC is required to prepare a revenue estimate for introduction during each regular legislative session. The committee generally adopts the revenue estimate the November prior to the regular legislative session.

In preparation for the revenue estimate, the committee monitors revenues throughout the interim. The Legislative Fiscal Division generally provides the committee with a revenue update at each meeting.

## Tax Credit Review

One of the committee's newer duties is to review individual and corporate income tax credits. Section [15-30-2303](#) outlines a schedule for review and the criteria for the review. The committee is scheduled to review the following credits this interim:

- the credit for commercial or net metering system investment provided for in [Title 15, chapter 32, part 4](#);
- the credit for qualified elderly care expenses provided for in [15-30-2366](#);
- the credit for dependent care assistance and referral services provided for in [15-30-2373](#) and [15-31-131](#);

- the credit for contributions to a university or college foundation or endowment provided for in [15-30-2326](#), [15-31-135](#), and [15-31-136](#);
- the credit for donations to an educational improvement account provided for in [15-30-2334](#), [15-30-3110](#), and [15-31-158](#); and
- the credit for donations to a student scholarship organization provided for in [15-30-2335](#), [15-30-3111](#), and [15-31-159](#).

The 2021 Legislature approved five bills revising 15-30-2303, including:

- [Senate Bill 399](#), which repeals 16 tax credits beginning in tax year 2022. Four of the repealed tax credits are scheduled for review this interim: commercial or net metering system investments, qualified elderly care expenses, dependent care assistance, and contributions to a university or college foundation.
- [House Bill 252](#) and [House Bill 629](#), which add the review of new credits for trades education and training expenses and employer job growth, respectively. The new tax credits are scheduled for review in the 2025-2026 interim.
- [Senate Bill 41](#), requested by the Revenue Interim Committee, to make the review process permanent and remove the review of the credit for income taxes imposed by foreign states or countries.
- [Senate Bill 45](#), requested by the Revenue Interim Committee, to repeal the credit for new or expanded industry after the committee reviewed the credit last interim.

Because of the above changes, the committee may wish to revisit the tax credit review schedule. Under the current schedule, the reviews are no longer evenly spread over five interims.

In addition to deciding how much committee time to devote to the review process, the committee has two additional decision points:

- Should the committee review the four tax credits that expire on Dec. 31, 2021?
- Does the committee wish to review 15-30-2303 and consider revising the tax credit review schedule?

## Required Reports

The committee receives required reports from the Department of Revenue and other state agencies.

### Required Reports from the Department of Revenue

#### [15-1-230, MCA](#)

Biennial report on the number and type of taxpayers claiming the credit for contributions to a qualified endowment under [15-30-2328](#), the total amount of the credit claimed, the total amount of the credit recaptured, and DOR's cost associated with administering the credit. Terminates Dec. 31, 2025.

#### [15-6-232, MCA](#)

Biennial update of the review and determination process for exempt property in sections [15-6-231](#) and [15-6-232](#).

- Decision point: Section requiring report terminates Dec. 31, 2021. Committee should decide whether to schedule report before section terminates.

[15-7-111, MCA](#)

Report in the second year of each reappraisal cycle on the tax rates for the upcoming reappraisal cycle that will result in taxable value neutrality for each property class.

[15-24-3211, MCA](#)

Biennial report on the use of the property tax abatements for gray water systems under [15-24-3202](#) and [15-24-3203](#).

[15-30-3112, MCA](#)

List of student scholarship organizations receiving contributions from businesses and individuals granted tax credits under [15-30-3111](#). Terminates Dec. 31, 2029.

[15-31-322\(2\), MCA](#)

Biennial update on countries that may be considered tax havens under [15-31-322](#)(1)(f).

[15-32-703\(10\), MCA](#)

Biennial report on the number and type of taxpayers claiming the credit for costs of investments in depreciable property used for storing or blending biodiesel with petroleum diesel, the total amount of credit claimed, and the DOR's cost of administering the credit.

- Decision point: Credit terminates Jan. 1, 2022. Committee should decide whether to schedule report before section terminates.

[Ch. 550, L. 2021](#)

Grow Montana Jobs tax credit report on approvals granted and credit certificates issued, including the credits claimed, the names of the qualifying employers of the credits, and the amount of tax credits claimed.

[Ch. 141, L. 2021](#)

Biennial report on activities of Forest Lands Taxation Advisory Committee, including if the committee does not meet by July 15, 2021, as required.

### **Required Reports from Other State Agencies**

*Film Tax Credit Report*

The Department of Commerce (DOC) is required to report no later than 6 months before each legislative session on film tax credits, including the impact of the credits, the dollar amount of credits issued, the number of net new jobs created, the amount of compensation paid, and the economic impact of the film industry in the state. Required by [15-31-1011](#).

*Receipts Less than Revenue Estimate Projection: 17-7-140(4), MCA*

The Office of Budget and Program Planning is required to report upon determination of the budget director that an amount of actual or projected receipts will result in an amount less than the amount projected to be received in the revenue estimate.



#### *Adult-Use & Medical Marijuana Monitoring*

Voters approved [Initiative Measure 190](#) (I-190), allowing for adult use of marijuana, in November 2020. The initiative language assigns oversight of the program to the Revenue Interim Committee in [16-12-110](#) and requires a report to RIC on inspections in [16-12-210](#).

I-190 did not affect medical marijuana laws, which require the Department of Public Health and Human Services and the Board of Medical Examiners to provide to RIC medical marijuana-related reports provided to the Children, Families, Health, and Human Services Interim Committee (CFHHS) under [50-46-343](#)(6), MCA.

The 2021 Legislature enacted [House Bill 701](#) to revise provisions of the adult-use and medical marijuana programs, including moving administration of the medical marijuana program to the Department of Revenue. The bill amends [16-12-110](#) and [16-12-210](#) to require the Economic Affairs Interim Committee (EAIC) to monitor both marijuana programs beginning Jan. 1, 2022.

HB 701 also replaces [50-46-343](#) with New Section 22, but still requires reports on registered medical marijuana cardholders and a Board of Medical Examiners report be provided to RIC.

Because HB 701 clearly intended for EAIC to monitor adult-use and medical marijuana, the staff of both committees recommends that EAIC begin agency monitoring and rule review duties immediately to provide consistency. Staff also recommends that both RIC and EAIC formalize this understanding through votes of each committee. The committees may also consider entering into a memorandum of agreement that RIC will follow EAIC's recommendations for the purpose of any potential administrative rule objections.

- Decision points:
  - Should EAIC immediately begin monitoring adult-use and medical marijuana, including reviewing administrative rules?
  - Should EAIC and RIC enter into a memorandum of understanding to this effect?
  - Does RIC wish to receive medical marijuana reports or should the committee request legislation to remove this requirement?

## Summary of Statutory Duties and Obligations

Statutory Duties and Obligations		
<b>Monitor Assigned Agencies</b>		
<b>Department of Revenue</b>	<b>0.002 FTE</b> ° Agency updates at each meeting on topics selected by agency, staff, and committee members ° Quarterly reports from LFD on agency budget	<b>0.0018 FTE</b> ° Agency updates at each meeting on topics selected by agency, staff, and committee members
<b>Montana Tax Appeal Board</b>	<b>0.0015 FTE</b> ° Agency updates at each meeting on topics selected by agency, staff, and committee members	<b>0.001 FTE</b> ° Agency updates at <u>alternating meetings</u> on topics selected by agency, staff, and committee members
<b>Review administrative rules</b>	<b>0.09 FTE</b> ° Legal staff provides RIC a brief written description of each proposed or adopted rule prior to each meeting with issues of concern noted ° Members to inform staff or Chair if they want more information ° Committee receives copies of rules from agencies for personal review	<b>0.085 FTE</b> ° Legal staff provides RIC a brief written description of each proposed or adopted rule prior to each meeting with issues of concern noted ° Members to inform staff or Chair if they want more information
<b>Review statutorily established advisory councils</b>	<b>0.005 FTE per advisory council</b> ° Review advisory council and make recommendations on retention or elimination ° Advisory councils: Multistate Tax Compact advisory council, Agricultural Advisory Committee, Forest Lands Taxation Advisory Committee	<b>0 FTE*</b> <i>*If no committee member requests review</i>
<b>Review agency legislation</b>	<b>0.005 FTE</b> ° Committee reviews proposals from the DOR and MTAB and decides if staff should draft legislation for preintroduction	
<b>Review proposed ballot initiatives</b>	<b>0.005 FTE</b> ° Committee holds hearing on proposed ballot initiatives within 14 days of receiving final language and votes to either support or not support the placement of the text of an initiative on the ballot ° Committee requests background on topic of ballot initiative such as past legislation and initiative proposals or similar proposals in other states	<b>0.001 FTE</b> ° Committee holds hearing on proposed ballot initiatives within 14 days of receiving final language and votes to either support or not support the placement of the text of an initiative on the ballot  <i>**May require additional committee meetings</i>

Other Statutory Duties		
<b>Revenue estimating and monitoring</b>	<b>0.005 FTE</b> <ul style="list-style-type: none"> <li>° Reports in right column</li> <li>° Receive presentations from economists and forecasters in September 2020 in preparation for November adoption of revenue estimate</li> </ul>	<b>0.001 FTE</b> <ul style="list-style-type: none"> <li>° FYE 2021 Quarterly Report</li> <li>° YTD GF Revenue Collections</li> <li>° Quarterly report or General Fund update, as appropriate</li> <li>° 2025 Biennium Revenue Outlook (summer 2022)</li> <li>° 2025 Biennium Revenue Estimate and Comparison to Executive (November 2022)</li> </ul>
<b>Review tax credits</b> <ul style="list-style-type: none"> <li>° Commercial or net metering system*</li> <li>° Qualified elderly care expenses*</li> <li>° Dependent care assistance and referral services*</li> <li>° Contributions to a university or college foundation or endowment*</li> <li>° Donations to an education improvement account</li> <li>° Donations to a student scholarship organization</li> </ul> <p>*Repealed effective 1/1/22</p>	<b>0.15 FTE</b> <ul style="list-style-type: none"> <li>° Options in right column</li> <li>° Review all credits, including those repealed in SB 399</li> <li>° Review other states for similar credits and compare to Montana</li> </ul>	<b>0.05 FTE</b> <ul style="list-style-type: none"> <li>° Review only credits not repealed in SB 399</li> <li>° Overview of credit including legislative history, intended purpose</li> <li>° Analysis of who benefits from credit (incl. non-residents) and timing of costs and benefits</li> <li>° Analysis of whether credit changes taxpayer decisions (look to before credit existed)</li> <li>° Consider impacts of elimination of credit</li> <li>° Consider economic impact of credit</li> <li>° Review 15-30-2303 and consider recommending revised review schedule</li> <li>° Staff report summarizing the credit review</li> <li>° Committee legislation to make recommended changes</li> </ul>
Department of Revenue Required Reports		
<b>Update of review and determination of exempt property**</b> <b>Tax rates for upcoming reappraisal cycle</b> <b>Use of property tax abatements for gray water systems</b> <b>List of SSOs receiving contributions from entities granted tax credits</b> <b>Update of countries that may be considered tax havens</b>	<b>0.023 FTE (assuming 2 reports result in legislation)</b> <ul style="list-style-type: none"> <li>° Have staff provide background info on report topic in advance of receiving report</li> <li>° Review report</li> <li>° Make recommendations about whether to keep receiving report</li> <li>° Make recommendations about topic of report (based on content of report)</li> <li>° Request legislation based on recommendations</li> </ul>	<b>0.007 FTE (total for all DOR reports)</b> <ul style="list-style-type: none"> <li>° Review report provided by Department of Revenue</li> </ul>

<b>Taxpayers claiming biodiesel storing or blending tax credit**</b>		
<b>Grow Montana Jobs tax credit</b>		
<b>Forest Lands Taxation Advisory Committee report</b>		
<b>Other Required Reports</b>		
<b>Film tax credits</b>	<b>0.012 FTE</b> ° Committee reviews Department of Commerce-contracted film tax credit report, receives DOC recommendations, and decides whether to make additional Committee recommendations ° Request legislation to achieve DOC or committee recommendations	<b>0.002 FTE</b> ° Committee reviews Department of Commerce-contracted film tax credit report, receives DOC recommendations, and decides whether to make additional Committee recommendations
<b>Receipts Less Than Revenue Projections</b>	<b>As needed/0.002 FTE</b> ° Committee receives report of receipts less than projected revenue and, within 20 days, provides budget director with recommendations on amount of receipts.	
<b>Medical marijuana reports</b>	<b>0.002 FTE</b> ° Committee receives reports in packet and requests agency presentation of reports at some or all meetings	<b>0.001 FTE</b> ° Committee receives reports in meeting packet, no meeting time scheduled for presentations except upon request of the committee

## Potential Work Plan Topics

### Study Resolutions Assigned to the RIC by the Legislature

#### 1. [House Joint Resolution No. 6: Coal Severance Tax Trust Fund](#)

##### Legislative Poll Ranking: #5

**Background:** Half of coal severance tax revenue is deposited in the Coal Severance Tax Trust Fund, and the other half of coal severance tax revenue is distributed to funds outside of the trust fund. Money in the trust fund flows through subtrusts. Interest earned on the subtrusts is designated for renewable resource projects, infrastructure projects, economic development, and school facilities. The coal severance tax revenue not distributed to the trust fund is used for a variety of programs including long-range building, coal local impact grants, agricultural development, conservation districts, libraries, state parks, renewable resource projects, and cultural projects. Any revenue remaining after these allocations is deposited in the general fund.

The study resolution requests that the interim committee:

- review the uses of the coal severance tax and utilization of the coal severance tax trust fund;
- determine:
  - projected infrastructure costs and whether the coal severance tax trust fund can be used to pay those costs;
  - market and export opportunities for coal;
  - long-term interest rates and future investment strategies for the trust fund;
- review coal extraction forecasts and how they will impact the trust fund;
- analyze energy resources in Montana and review potential severance or production taxes to assist in protecting the trust fund; and
- assess whether the Legislature should revisit the current allocations and uses of the funds.

Option A	Option B	Option C	Option D
0.33 FTE	0.3 FTE	0.2 FTE	0 FTE
◦ Option B ◦ Analyze energy resources in Montana, review potential taxes to assist in protecting the trust fund ◦ Project infrastructure costs, consider whether coal severance tax trust fund can cover costs  <b>Deliverables</b> ◦ White papers ◦ Panel discussions ◦ Decision matrices ◦ Legislation ◦ Final report	◦ Option C ◦ Consider long-term interest rates and investment strategies for the trust fund ◦ Review coal extraction forecasts and their impact on the trust fund ◦ Consider market and export opportunities for coal  <b>Deliverables</b> ◦ White papers ◦ Panel discussion ◦ Decision matrix ◦ Legislation ◦ Final report	◦ Overview of coal severance tax, coal severance tax trust fund, programs funded with coal severance tax revenue ◦ Assess whether Legislature should revisit the current allocations and uses of the funds  <b>Deliverables</b> ◦ White paper ◦ Decision matrix ◦ Legislation ◦ Final report	<b>No action</b>

## 2. [House Joint Resolution No. 36: Residential Property Taxes](#)

### Legislative Poll Ranking: #1

**Background:** Property taxes are an important revenue source for schools and local governments in Montana. In 2018, property tax collections accounted for 18.5% of state and local total revenue and 40% of state and local tax revenue.<sup>3</sup> In tax years 2019 and 2020, taxes levied on residential property comprised 50% of total property tax collections.

The study resolution requests inclusion of the following study topics:

- an overview of how residential property is valued and how this compares with other classes of property;
- analysis of property taxes paid on residential property and other classes of property;

<sup>3</sup> Figures cited in this section from [Montana Department of Revenue Biennial Report July 1, 2018 – June 30, 2020](#).

- consideration of how state, local government, and school funding policies impact residential property taxes;
- review of property tax assistance programs and tax credits available for residential property and exemptions and abatements available for nonresidential property; and
- options for mitigating residential property taxes, including review of legislation considered in the 2021 legislative session.

The topics included in the study resolution are broad and materials already exist for some of the topics. The committee should consider whether to approach the study narrowly and focus on methods for reducing residential property taxes (Option C) or whether to take a broader approach and examine residential property taxes in the context of the entire property tax system (Option A or B).

If the committee is interested in a broader study, staff will need direction on specific topics of interest. The 2019-2020 RIC received many reports that could be updated, expanded upon, or serve as background when considering topics for further analysis. See materials for January 2020, May 2020, and July 2020 meetings: <https://www.leg.mt.gov/committees/interim/past-interim-committees/2019-2020/2019rvic/hj-35-study-state-and-local-tax-policy/>.

The committee may consider the following topics and stakeholders may offer other possible topics:

- Local profiles. Property taxes depend on many factors including the mix of properties within a jurisdiction, state laws, and budgets set by local governments and school districts. Profiles for several counties could give the committee a better understanding of how property taxes vary throughout the state. (0.12 FTE for 4 counties)
- Cities and counties. Cities and counties have increasingly asked the Legislature for additional authority to generate revenue, specifically to revise the limit in 15-20-420 or to allow a local option tax. The following topics may assist in understanding city and county revenues.
  - Tutorial on how 15-10-420 works in practice and data on how many cities and counties levy at maximum authority; (0.05 FTE)
  - Consider local government revenues and the role of residential property taxes among all revenue sources (possible methodologies: panel discussions, survey, staff research) (0.05 – 0.25 FTE)
    - See 2016 report: [Local Government Sources of Revenue](#) (would require considerable staff time to add additional years of data and update report)
  - Collect data on voted levies and special districts (survey or staff research) (0.1 – 0.15 FTE)
- School funding. In FY 2021, 58% of property taxes levied supported schools.<sup>4</sup> The committee could further its understanding of school funding and review analysis on the topic of [property taxes and school funding](#). (0.002 FTE)
- Appraisal. Taxes within a taxing jurisdiction vary based on the taxable value of a property, which is a result of the tax rate (set in statute) and the appraised value (determined by the Department of Revenue). Recent [national research](#) focuses on fairness of valuations for lower and higher value homes, and similar questions have been raised in public comment before RIC. DOR [reports](#) every two years on the quality of residential and commercial appraisal. The committee could spend time working to understand the DOR report and review Montana data from the national research. (0.003 FTE)

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<sup>4</sup> Includes local schools, countywide schools, and the state's 95 mills.

Option A	Option B	Option C	Option D
0.22+ FTE	0.22+ FTE	0.18 FTE	0 FTE
<ul style="list-style-type: none"> <li>° Option B</li> <li>° Multiple analyses of property taxes paid on residential and other classes of property (specify analyses requested)</li> </ul> <p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>° White papers</li> <li>° Decision matrix</li> <li>° Legislation</li> <li>° Final report</li> </ul>	<ul style="list-style-type: none"> <li>° Option C</li> <li>° Overview of residential property and comparison to other property types (valuation, rates, classes)</li> <li>° Overview of laws specific to state, local government, and school property taxes</li> <li>° Additional analysis of property taxes paid on residential and other classes of property (specify analysis requested)</li> </ul> <p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>° White papers</li> <li>° Decision matrix</li> <li>° Legislation</li> <li>° Final report</li> </ul>	<ul style="list-style-type: none"> <li>° Review existing property tax analyses</li> <li>° Review property tax assistance programs/tax credits and exemptions/abatements</li> <li>° Review property tax mitigation legislation from 2021 session</li> <li>° Consider methods for reducing residential property taxes, including effects on interested parties</li> </ul> <p><b>Deliverables</b></p> <ul style="list-style-type: none"> <li>° White papers</li> <li>° Decision matrix</li> <li>° Legislation</li> </ul>	<p><b>No action</b></p>

## Optional Topics for RIC Work Plan

### 1. Member Topics

**Authority:** Member requests

**Background:** Committee members suggested the topics in the following table. The suggested topics are optional and may be prioritized by the committee and included in the work plan.

Topic	Source	Option A	Option B
Sales tax legislation	Sen. Hoven	<b>0.1 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Identify uses of revenue and request legislation to implement (may require revising other tax laws)</li> </ul>	<b>0.05 FTE</b> <ul style="list-style-type: none"> <li>° Identify taxable and exempt sales and services</li> <li>° Request and review legislation</li> </ul>
Community investment fee	Rep. Beard	<b>0.05 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Review similar policies in other states</li> </ul>	<b>0.03 FTE</b> <ul style="list-style-type: none"> <li>° Consider who pays fee, how to structure fee, and uses of fee</li> </ul>
Education funding revenue streams <sup>5</sup>	Rep. Beard	<b>0.004 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Consider reporting requirements for various revenue streams</li> </ul>	<b>0.002 FTE</b> <ul style="list-style-type: none"> <li>° Review local, state, and federal education funding</li> </ul>
Review tax expenditures (in addition to tax credits)	Rep. Beard	<b>Varies</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Review some tax expenditures this interim</li> </ul>	<b>0.02 FTE</b> <ul style="list-style-type: none"> <li>° Review list of tax expenditures in <a href="#">Biennial Report</a> (p. 335)</li> <li>° Determine whether/which to review</li> <li>° Draft legislation to create review process</li> </ul>
Law enforcement funding	Rep. Beard	<b>0.02 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Consider reducing funding for local governments that want to defund the police</li> </ul>	<b>0.005 FTE</b> <ul style="list-style-type: none"> <li>° Overview of law enforcement funding sources</li> </ul>
Land use changes and their effect on property taxes <i>(may be relevant for HJ 36 study)</i>	Rep. Welch	<b>0.05 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Quantify property tax effects of changes in land use</li> </ul>	<b>0.025 FTE</b> <ul style="list-style-type: none"> <li>° Analyze whether land use is changing</li> </ul>
Impact of increasing business equipment tax exemption on different industries	Rep. Welch	<b>0.05 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Model how other changes to the business equipment tax would impact industries and consider revenue impacts to state and local governments</li> </ul>	<b>0.025 FTE</b> <ul style="list-style-type: none"> <li>° Review impacts of increased business equipment tax exemption on various industries</li> </ul>

<sup>5</sup> Section 20-9-309 requires the School Funding Interim Commission to reassess the state's school funding formula at least every 10 years. The next study will be during the 2025-2026 interim at the latest.



Topic	Source	Option A	Option B
Corporate income tax apportionment	Rep. Welch	<b>0.05 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Consider impacts of other possible apportionment methods by industry (triple-weighted sales, single sales)</li> </ul>	<b>0.025 FTE</b> <ul style="list-style-type: none"> <li>° Review impact of change to double-weighted sales factor by industry</li> </ul>
Property taxes on energy-producing property  <i>(may be relevant for HJ 36 study)</i>	Rep. Welch	<b>0.075 FTE</b> <ul style="list-style-type: none"> <li>° Option B</li> <li>° Consider whether to revise taxation of energy-producing property</li> </ul>	<b>0.03 FTE</b> <ul style="list-style-type: none"> <li>° Overview of which classes of property include energy-producing property, how the tax rates vary, and how the property is valued</li> </ul>

## 2. Legislative Finance Committee [House Bill No. 330](#) Study

**Authority:** 5-5-227, MCA. RIC oversight

**Background:** [House Bill No. 330](#) (HB 330) creates a committee (MARA committee) comprised of six Legislative Finance Committee members and four public members to study "the long-term future budget and revenue needs with changing economics and demographics."

The study "may include but is not limited to:

- (a) identifying structural revenue challenges with economic, demographic, and geographical variability considerations;
- (b) exploring revenue sufficiency and probable long-term expenditures by state and local government for services, including but not limited to:
  - (i) health care;
  - (ii) human services;
  - (iii) elementary and secondary education;
  - (iv) higher education;
  - (v) pensions;
  - (vi) public safety and corrections;
  - (vii) infrastructure and public works; and
  - (viii) programs historically funded by revenue generated from natural resource taxes.
- (c) creating data sets and models for future analysis by the legislature; and
- (d) proposing potential solutions and possible legislation for consideration by the 2023 legislature."

The MARA committee met in June and [discussed study topics](#) including the following, which may be of interest to RIC: income tax, property tax, and local government analysis. MARA committee Chair Llew Jones also wrote a letter to RIC asking the committee to work with the MARA committee and join the committee for one or more joint meetings. The letter cites the committee's charge but does not provide detail on the topics on which the committees may wish to coordinate. Chair Jones also requests that the MARA committee receive updates on RIC's HJ 6 and HJ 36 studies.

Option A	Option B	Option C	Option D
0.1 FTE*	0.04 FTE	0.002 FTE	
<ul style="list-style-type: none"> <li>° Option B</li> <li>° RIC and MARA meet jointly during one or more meetings</li> <li>*FTE varies if MARA requests work from RIC staff</li> </ul>	<ul style="list-style-type: none"> <li>° Option C</li> <li>° LSD and LFD staff coordinate work of RIC and MARA</li> <li>° RIC staff attends MARA meetings</li> </ul>	<ul style="list-style-type: none"> <li>° RIC staff to provide updates to MARA committee on HJ 6 and HJ 36 studies</li> <li>° Request updates from LFD on MARA</li> <li>° RIC members participate remotely in MARA meetings individually, if interested</li> </ul>	No Action

## Proposed Meeting Schedule

The proposed meeting schedule includes an organizational meeting, 6 regular meetings, and a meeting to adopt the revenue estimate in November 2022. The committee should review the proposed dates, make changes as necessary, and adopt a meeting schedule.<sup>6</sup>

July 15, 2021 (organizational)  
 September 23-24, 2021  
 November 9, 2021  
 January 20-21, 2022  
 April 14-15, 2022  
 June 16-17, 2022  
 September 15, 2022  
 November 17, 2022 (Revenue estimate only)

## Proposed Work Plan Timeline

This timeline provides an outline of how the RIC will accomplish the items in its work plan. The timeline will be updated to reflect work plan decisions and the adoption of study plans for HJ 6 and HJ 36.

Date	Activities	Tasks/Policy Decisions
July 15, 2021 (Meeting 1)	<ul style="list-style-type: none"> <li>➤ Organizational</li> <li>➤ Agency Monitoring</li> <li>➤ HJ 6 &amp; HJ 36</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Elect officers</li> <li>• Review, revise, and adopt work plan</li> <li>• Adopt meeting dates</li> <li>• DOR introduction</li> <li>• Administrative rule review</li> <li>• Adopt study plans</li> <li>• FY 2021 General Fund Update</li> </ul>

<sup>6</sup> Dates do not align with the MARA meeting schedule. If a joint meeting is desired, the schedule may have to be revised or the MARA committee could change its meeting schedule to accommodate a joint meeting.

Date	Activities	Tasks/Policy Decisions
(Meeting 2)	<ul style="list-style-type: none"> <li>➤ Organizational</li> <li>➤ Agency Monitoring</li> <li>➤ Required reports</li> <li>➤ HJ 6 &amp; HJ 36</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Review final work plan and meeting dates</li> <li>• MTAB introduction</li> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Activities of Forest Lands Taxation Advisory Committee</li> <li>• Topics based on study plans</li> <li>• Depends on work plan decisions</li> <li>• Revenue update</li> </ul>
(Meeting 3)	<ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ Required reports</li> <li>➤ HJ 6 &amp; HJ 36</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Biodiesel blending and storage tax credit, public listing of exempt property (<i>if desired before reporting requirements terminate</i>)</li> <li>• Topics based on study plans</li> <li>• Depends on work plan decisions</li> <li>• Revenue update</li> </ul>
(Meeting 4)	<ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ HJ 6 &amp; HJ 36</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Topics based on study plans</li> <li>• Depends on work plan decisions</li> <li>• Revenue update</li> </ul>
(Meeting 5)	<ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ Required Reports</li> <li>➤ HJ 6 &amp; HJ 36</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• DOR required reports: qualified endowment tax credit, student scholarship organizations</li> <li>• Topics based on study plans</li> <li>• Depends on work plan decisions</li> <li>• Revenue update</li> </ul>

Date	Activities	Tasks/Policy Decisions
(Meeting 6)	<ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ Required Reports</li> <li>➤ HJ 6 &amp; HJ 36</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Agency bill draft requests</li> <li>• DOR required reports: tax haven report, property tax abatements for gray water systems</li> <li>• Department of Commerce film tax credit report</li> <li>• Topics based on study plans</li> <li>• Review draft final report</li> <li>• Topics based on study plans</li> <li>• 2025 Biennium Revenue Outlook and FY 2022 Quarterly Report</li> </ul>
(Meeting 7)	<ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ Required Reports</li> <li>➤ HJ 6 &amp; HJ 36</li> <li>➤ Tax Credit Review</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Agency updates</li> <li>• Administrative rule review</li> <li>• Grow Montana Jobs tax credit report</li> <li>• Final review and adoption of legislation</li> <li>• Adopt final report</li> <li>• Final review of any legislation requested</li> <li>• Revenue update</li> </ul>
(Meeting 8)	<ul style="list-style-type: none"> <li>➤ Agency Monitoring</li> <li>➤ Required Reports</li> <li>➤ Revenue Estimating &amp; Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative rule review</li> <li>• DOR tax rates that will result in taxable value neutrality report</li> <li>• 2023 Biennium Revenue Estimate and Comparison to Executive</li> </ul>